

# **Southwest Barry County Sewer and Water Authority**

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**Financial Report  
March 31, 2004**

# Southwest Barry County Sewer and Water Authority

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## Contents

<b>Report Letter</b>	1
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Revenues and Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11
<b>Additional Information</b>	
<b>Report Letter</b>	12
Schedule of Indebtedness	13-14
Schedule of Operating Expenses by Function	15



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The Board of Directors  
Southwest Barry County Sewer and Water Authority  
Delton, Michigan

We have audited the accompanying general purpose financial statements of Southwest Barry County Sewer and Water Authority as of March 31, 2004 and 2003, and for the years then ended. These financial statements are the responsibility of the Water Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Barry County Sewer and Water Authority at March 31, 2004 and 2003, and the changes in financial position, including cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

May 11, 2004



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# Southwest Barry County Sewer and Water Authority

	March 31	
	2004	2003
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments (Note 2)	\$ 363,202	\$ 308,577
Accounts receivable	91,764	84,083
Inventory	25,449	25,449
Prepays	869,887	934,617
Total current assets	1,350,302	1,352,726
<b>Restricted Assets for Debt Services</b>		
Cash and investments (Note 2)	1,623,563	1,851,436
Special assessments receivables from Townships (Note 3)	2,314,532	2,762,583
Contract connection fee receivable (Note 5)	174,202	199,199
Total restricted assets	4,112,297	4,813,218
<b>Other Assets</b>		
Bond issue discount - net of amortization	58,323	66,656
<b>Property, Plant and Equipment</b> (Note 4)	8,520,015	9,165,380
Total assets	<b>\$ 14,040,937</b>	<b>\$ 15,397,980</b>

**Balance Sheet**  
**March 31, 2004 and 2003**

	March 31	
	2004	2003
<b>Liabilities and Fund Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,531	\$ 19,134
Accrued expenses and other liabilities	141,923	158,063
Current portion of long-term debt (Note 6)	806,728	811,724
Total current liabilities	960,182	988,921
<b>Long-Term Debt (Note 6)</b>	5,675,000	6,481,722
Total liabilities	6,635,182	7,470,643
<b>Equity</b>		
Contributed capital	5,725,450	6,403,257
Retained earnings		
Reserved for improvements	1,001	197,500
Unreserved	1,679,304	1,326,580
Total retained earnings	1,680,305	1,524,080
Total fund equity	7,405,755	7,927,337
Total liabilities and fund equity	<u><u>\$ 14,040,937</u></u>	<u><u>\$ 15,397,980</u></u>

# Southwest Barry County Sewer and Water Authority

## Statement of Revenues and Expenses Years Ended March 31, 2004 and 2003

	Year Ended March 31	
	2004	2003
<b>Operating Revenue</b>		
Sewer user fees	\$ 502,953	\$ 514,464
Water user fees	44,436	39,969
Miscellaneous	3,176	66,225
Total operating revenue	550,565	620,658
<b>Operating Expenses before depreciation</b>		
Cost of Sewer	457,626	526,771
Cost of Water	41,126	86,729
Total operating expense	498,752	613,500
<b>Net Operating Income Before Depreciation</b>	51,813	7,158
<b>Depreciation</b>	653,065	656,462
<b>Net Loss from Operations</b>	(601,252)	(649,304)
<b>Nonoperating Revenues (Expenses)</b>		
Connection fees	106,905	41,379
Debt service fees	161,983	161,912
Investment income	19,296	40,110
Interest income on special assessments	183,754	208,811
Interest expense on bonds	(319,205)	(358,249)
Amortization on bond costs	(64,730)	(64,730)
Amortization of bond discount	(8,333)	(8,333)
Total nonoperating revenue	79,670	20,900
<b>Net Loss</b>	(521,582)	(628,404)
Addback depreciation on contributed assets	677,807	677,807
<b>Retained Earnings - Beginning of the year</b>	1,524,080	1,474,677
<b>Retained Earnings - End of the year</b>	<b>\$ 1,680,305</b>	<b>\$ 1,524,080</b>

# Southwest Barry County Sewer and Water Authority

## Statement of Cash Flows Years Ended March 31, 2004 and 2003

	Year Ended March 31	
	2004	2003
<b>Cash Flows from Operating Activities</b>		
Net income from operations	\$ (601,252)	\$ (649,304)
Adjustments to reconcile net income from operations to cash provided by operating activities:		
Depreciation	653,065	656,462
(Increase) decrease in assets:		
Accounts receivable	(7,681)	(5,570)
Inventory	-	6,195
Increase (decrease) in liabilities:		
Accounts payable	(7,603)	16,853
Accrued expenses and other liabilities	(16,140)	(21,354)
Net cash provided by operating activities	20,389	3,282
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal and interest paid on long-term debt	(1,125,927)	(1,169,716)
Collections on special assessments	448,051	462,977
Interest earned on special assessments	183,754	208,811
Collections on connection fees	123,666	69,008
Purchase of capital assets	(4,460)	(16,515)
Debt service fees collected	161,983	161,912
Net cash used in capital and related financing activities	(212,933)	(283,523)
<b>Cash Flows from Investing Activities</b>		
Interest received on deposits and investments	19,296	40,110
<b>Net Decrease in Cash and Cash Equivalents</b>	(173,248)	(240,131)
<b>Cash and Cash Equivalents - Beginning of year</b>	2,160,013	2,400,144
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,986,765</b>	<b>\$ 2,160,013</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 363,202	\$ 308,577
Restricted cash and cash equivalents	1,623,563	1,851,436
Total cash and cash equivalents	<b>\$ 1,986,765</b>	<b>\$ 2,160,013</b>

Non-cash financing activities includes refinancing of 1993 Bonds in the amount of \$4,665,000.

# Southwest Barry County Sewer and Water Authority

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## Notes to Financial Statements March 31, 2004 and 2003

### Note 1 – Summary of Significant Accounting Policies

Southwest Barry County Sewer and Water Authority (the "Authority") was established by the Townships of Prairieville, Barry, Hope and Johnstown. The Authority was incorporated in May 1991, under the provisions of Act 233, Public Acts of 1955, as amended. The Authority is governed by a board composed of the Supervisors of each of the constituent Townships. The Authority was formed to operate, maintain, administer and manage a sewage collection and disposal system pursuant to Act 185 Public Acts of 1957, as amended, for the benefit of constituent municipalities.

The accounting policies of the Southwest Barry County Sewer and Water Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**Fund Accounting/Basis of Accounting** – The accounts of Southwest Barry County Sewer and Water Authority are organized as an Enterprise Fund, which is used to account for its operations as a provider of sewer and water services. These services are financed primarily through user charges.

The accrual basis of accounting is used to account for the operations of this Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Cash and cash equivalents** – The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

**Investments** – Investments are recorded at fair value, based on quoted market prices.

**Accounts receivable** – Accounts receivable are stated at invoice cost. All delinquent accounts receivable are sent to the County for collection.

**Inventory** – Inventory is valued at cost (first-in, first-out) and consists of expendable operating and hookup supplies used in the water and sewer departments.

**Property, Plant and Equipment** – Property, plant, and equipment are recorded at cost. Depreciation is computed by the straight-line method based on the estimated useful lives, which range from 5 to 40 years.



# Southwest Barry County Sewer and Water Authority

## Notes to Financial Statements March 31, 2004 and 2003

### Note 1 – Summary of Significant Accounting Policies (Continued)

**Use of Estimates** – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the report amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### Note 2 – Deposits and Investments

The Authority's deposits and investments at March 31, 2004 and 2003, are included on the balance sheet under the following classifications:

	2004	2003
Cash and cash equivalents	\$ 363,202	\$ 308,577
Restricted assets for debt service	<u>1,623,563</u>	<u>1,851,436</u>
Total	<u>\$ 1,986,765</u>	<u>\$ 2,160,013</u>

The above amounts are classified by Government Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 1,986,615	\$ 2,159,904
Cash on hand and petty cash	<u>150</u>	<u>109</u>
Total	<u>\$ 1,986,765</u>	<u>\$ 2,160,013</u>

**Deposits** – The above deposits were reflected in the accounts of the bank of the Authority (without recognition of checks written but not yet cleared or of deposits-in-transit) at \$788,266 and \$943,793 on March 31, 2004 and 2003, respectively. Of these amounts, \$100,000 and \$200,000 was covered by federal depository insurance at March 31, 2004 and 2003, respectively, and \$688,266 and \$743,793 were uninsured and uncollateralized at March 31, 2004 and 2003, respectively. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution it deposits Authority funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Southwest Barry County Sewer and Water Authority

## Notes to Financial Statements March 31, 2004 and 2003

### Note 3 – Contracts with Townships

Contracts with Townships represent the remaining amount due to the Authority from the original special assessment roll originating in 1990, and the Fair Lake Project special assessment roll originating in 1998. Both are expected to be collected over a twenty-year period. Details of the township contracts are as follows:

	Balance April 1, 2003	Principal Collected	Balance March 31, 2004
Original assessment			
Barry Township	\$ 333,592	\$ (53,619)	\$ 279,973
Hope Township	434,524	(79,783)	354,741
Johnstown Township	420,431	(77,087)	343,344
Prairieville Township	<u>929,285</u>	<u>(160,233)</u>	<u>769,052</u>
Total original assessment	2,117,832	(370,722)	1,747,110
Fair Lake project			
Barry Township	644,751	(77,329)	567,422
Total contracts due from townships	<u>\$ 2,762,583</u>	<u>\$ (448,051)</u>	<u>\$ 2,314,532</u>

Total interest collected was \$183,754 and \$208,811 in 2004 and 2003, respectively.

### Note 4 – Property, Plant and Equipment

Cost of property, plant and equipment and depreciable lives are summarized as follows:

	2004	2003	Depreciable Life - Years
Land and easements	\$ 486,830	\$ 486,830	-
Treatment plant	2,863,571	2,860,516	10 - 20
Wells, mains and equipment	<u>9,715,551</u>	<u>9,714,146</u>	5 - 40
Total	13,065,952	13,061,492	
Less accumulated depreciation	<u>4,545,937</u>	<u>3,896,112</u>	
Undepreciated cost	<u>\$ 8,520,015</u>	<u>\$ 9,165,380</u>	

Depreciation expense was \$653,065 and \$656,462 for the years ended March 31, 2004 and 2003, respectively.

# Southwest Barry County Sewer and Water Authority

## Notes to Financial Statements March 31, 2004 and 2003

### Note 5 – Contract Connection Fees

Contract connection fees represent the balance due from customers who have elected to hook up to the system, but were not on the original assessment roll with any of the townships. The Authority is collecting the receivables directly from the customers.

Balance April 1, 2003	New Hook-Ups	Amounts Paid	Balance March 31, 2004
<u>\$ 199,199</u>	<u>\$ 74,720</u>	<u>\$ (99,717)</u>	<u>\$ 174,202</u>

### Note 6 – Long-Term Debt

**Outstanding debt** – The following is a summary of the debt outstanding of the Authority.

	2004	2003
Southwest Barry County Sewage Disposal System Bonds, dated April 1, 1993, and maturing serially in amounts progressing from \$750,000 to \$850,000 in 2010 with interest at rates ranging from 4.0% to 4.8%	\$ 5,600,000	\$ 6,350,000
Fair Lake Extension Sewage Disposal Bonds, dated August 1, 1998, and maturing serially in amounts progressing from \$55,000 to \$65,000 in 2017 with interest at rates ranging from 4.2% to 5.2%	880,000	935,000
Installment note payable dated June 27, 2001, due in monthly payments of \$578 including interest at 3.9%, maturing in 2004.	<u>1,728</u>	<u>8,446</u>
Total	6,481,728	7,293,446
Less current portion	<u>806,728</u>	<u>811,724</u>
Long-term portion	<u>\$ 5,675,000</u>	<u>\$ 6,481,722</u>

# Southwest Barry County Sewer and Water Authority

## Notes to Financial Statements March 31, 2004 and 2003

### Note 6 – Long-Term Debt (Continued)

#### Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Authority for the years ended March 31, 2004 and 2003:

Balance - April 1, 2002	\$ 8,104,913
Debt Retired	<u>811,467</u>
Balance - March 31, 2003	7,293,446
Debt Retired	<u>811,718</u>
Balance - March 31, 2004	<u><u>\$ 6,481,728</u></u>

**Debt Service Requirements** – The annual requirements to amortize all long-term debt outstanding as of March 31, 2004 , including both principal and interest, are as follows:

	<u>Total</u>
2005	\$ 1,140,481
2006	1,100,831
2007	1,064,905
2008	1,071,380
2009	1,025,525
2010 and after	<u>3,458,432</u>
Total	<u><u>\$ 8,861,554</u></u>

**Interest** – Total interest incurred for the Authority was \$319,205 and \$358,249 for the years ended March 31, 2004 and 2003, respectively.

**Subsequent event** - On April 1, 2004, the Authority refinanced bonds in the amount of \$5,600,000 with interest a rates ranging from 1.65 percent to 3.15 percent.

# Southwest Barry County Sewer and Water Authority

## Notes to Financial Statements March 31, 2004 and 2003

### Note 7 – Defined Contribution Pension Plan

The authority provides pension benefits to all employees through a defined contribution plan by adopting the MTA Master Compensation plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 8 percent of base compensation for participating employees. Employees are able to defer compensation into the plan up to the limits governing IRS section 457 retirement plans. Total contributions of the plan for the year ending March 31, 2004 and 2003 were \$11,138 and \$11,032, respectively.

### Note 8 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits for the employees. The Authority has purchased commercial insurance for all claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 9 – Fund Equity

The following is an analysis of Fund Equity by source and activity:

	Contributed	Retained Earnings		
	Capital	Reserved for Improvements	Unreserved	Total
Balance - March 31, 2003	\$ 6,403,257	\$ 197,500	\$ 1,326,580	\$ 7,927,337
Net Loss for the year	-	-	(521,582)	(521,582)
Redesignation of funds	-	(196,499)	196,499	-
Depreciation transferred	(677,807)	-	677,807	-
Balance - March 31, 2004	\$ 5,725,450	\$ 1,001	\$ 1,679,304	\$ 7,405,755

# Southwest Barry County Sewer and Water Authority

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## Notes to Financial Statements March 31, 2004 and 2003

### Note 10 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Authority plans to adopt GASB Statement Number 34. This will revise the information being reported in these financial statements. The Authority will no longer report capital contributions as a direct increase to equity. Information is not available to present pro-forma data that would show the effect of this future change.

## **Additional Information**

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To the Directors and Stockholders  
Southwest Barry County Sewer and Water Authority

We have audited the financial statements of Southwest Barry County Sewer and Water Authority for the years ended March 31, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 13-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 11, 2004

*Plante & Moran, PLLC*



# Southwest Barry County Sewer and Water Authority

## Schedule of Indebtedness March 31, 2004 and 2003

### General Obligation Bonds Payable

Issue Dated April 1, 1993 in the amount of	\$ 12,000,000
Less:	
Amounts paid during prior years	5,650,000
Bonds due and paid in current year	<u>750,000</u>
<b>Balance Outstanding - March 31, 2004</b>	<b><u><u>\$ 5,600,000</u></u></b>

Bonds payable as follows:

Year Ended March 31	Rate	Interest	Principal	Total
2005	5.05%	\$ 256,338	\$ 750,000	\$ 1,006,338
2006	5.20%	217,900	750,000	967,900
2007	5.35%	177,000	800,000	977,000
2008	5.45%	133,800	800,000	933,800
2009	5.50%	90,000	800,000	890,000
2010	4.00%	51,000	850,000	901,000
2011	4.00%	<u>17,000</u>	<u>850,000</u>	<u>867,000</u>
Total		<b><u><u>\$ 943,038</u></u></b>	<b><u><u>\$ 5,600,000</u></u></b>	<b><u><u>\$ 6,543,038</u></u></b>

Interest on the bond is payable semi-annually at the above rates on May 1 and November 1.

# Southwest Barry County Sewer and Water Authority

## Schedule of Indebtedness March 31, 2004 and 2003

### General Obligation Bonds Payable (Continued)

<b>Issue Dated April 1, 1998 in the amount of</b>	<b>\$ 1,110,000</b>
Less:	
Amounts paid during prior years	175,000
Bonds due and paid in current year	<u>55,000</u>
<b>Balance Outstanding - March 31, 2004</b>	<b><u><u>\$ 880,000</u></u></b>

Bonds payable as follows:

Year Ended March 31	Rate	Interest	Principal	Total
2005	4.30%	\$ 39,493	\$ 55,000	\$ 94,493
2006	4.35%	37,005	60,000	97,005
2007	4.40%	34,380	60,000	94,380
2008	4.45%	31,725	60,000	91,725
2009	4.50%	29,040	60,000	89,040
2010	4.55%	26,211	65,000	91,211
2011	4.55%	23,254	65,000	88,254
2012	4.70%	20,248	65,000	85,248
2013	4.70%	17,192	65,000	82,192
2014	4.70%	14,138	65,000	79,138
2015	4.80%	11,050	65,000	76,050
2016	4.80%	7,930	65,000	72,930
2017	4.90%	4,777	65,000	69,777
2018	4.90%	<u>1,592</u>	<u>65,000</u>	<u>66,592</u>
Total		<b><u><u>\$ 298,035</u></u></b>	<b><u><u>\$ 880,000</u></u></b>	<b><u><u>\$ 1,178,035</u></u></b>

Interest on the bond is payable semi-annually at the above rates on May 1 and November 1.

# Southwest Barry County Sewer and Water Authority

## Statement of Operating Expenses by Function For the years ended March 31, 2004 and 2003

2004	Water	Sewer	Total
<b>Operating Expenses</b>			
Salaries and wages	\$ 16,804	\$ 151,737	\$ 168,541
Fringe benefits	7,175	69,348	76,523
Contracted services	3,922	26,819	30,741
Purchased services	1,750	78,076	79,826
Utilities	3,995	72,035	76,030
Supplies	3,394	21,771	25,165
Repairs and maintenance	3,366	31,360	34,726
Rent	720	6,480	7,200
Total operating expenses	<u><b>\$ 41,126</b></u>	<u><b>\$ 457,626</b></u>	<u><b>\$ 498,752</b></u>

  

2003	Water	Sewer	Total
<b>Operating Expenses</b>			
Salaries and wages	\$ 14,477	\$ 178,946	\$ 193,423
Fringe benefits	7,370	72,191	79,561
Contracted services	45,603	66,367	111,970
Purchased services	3,918	74,283	78,201
Utilities	4,286	61,013	65,299
Supplies	5,262	27,654	32,916
Repairs and maintenance	5,213	40,517	45,730
Rent	600	5,800	6,400
Total operating expenses	<u><b>\$ 86,729</b></u>	<u><b>\$ 526,771</b></u>	<u><b>\$ 613,500</b></u>